

Message Text

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ACTION NEA-10

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 COME-00 DODE-00 EB-08 DOE-11 H-02 INR-07 INT-05
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 SP-02 SS-15 STR-06 TRSE-00 ACDA-12 /123 W
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FM AMEMBASSY DACCA

TO DAVID R. PADDISON, ASSISTANT TO THE PRESIDENT,
INTERNATIONAL MATEX TANK TERMINALS, 9TH FLOOR SUITE, 321
ST. CHARLES AVE., NEW ORLEANS, LA. 70130; TELEX 58-4191
INFO SECSTATE WASHDC 7830

UNCLAS DACCA 0426

E.O. 11652: N/A

TAGS : BDIS, BG

SUBJECT : INTERNATIONAL TANK TERMINALS (BANGLADESH)

REF: 77 DACCA 7250

1. DURING MEETING WITH ADVISOR FOR INDUSTRIES JAMALUDDIN
AHMED JANUARY 17, CHARGE' D' AFFAIRES AND FIRST SECRETARY,
ECONOMIC/COMMERCIAL AFFAIRS RAISED EMBASSY'S INTEREST IN
SPEEDY RESOLUTION OF IMTT'S CLAIM FOR RECOVERY OF ITS 50
PERCENT OWNERSHIP IN INTERNATIONAL OIL MILLS (IOM).

2. AHMED SAID GOVERNMENT WAS ALSO INTERESTED IN SETTling
CLAIM. IT HAS DECIDED TO PRESENT FOLLOWING OFFER WHICH
WILL BE COMMUNICATED TO IMTT IN A LETTER NOW BEING PRE-
PARED: IMTT IS INVITED TO PURCHASE A 50 PERCENT INTEREST
IN IOM FOR THE SUM OF TAKA 1.2 MILLION (ABOUT \$80,000 AT
CURRENT EXCHANGE RATE OF APPROXIMATELY 15 TAKA TO \$1).
CURRENT BOOK VALUE OF IOM IS TAKA 1.2 MILLION. PAYMENT OF
ADDITIONAL TAKA 1.2 MILLION FOR 50 PERCENT INTEREST WOULD REPRE-
SENT PURCHASE OF NEW EQUITY AND DOUBLING OF CAPITALIZATION
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RATHER THAN SALE OF GOVERNMENT SHARES TO IOM. SALE OF
NEW EQUITY TO IMTT FOR TAKA 1.2 MILLION, USING CURRENT
BOOK VALUE AS A GUIDE⁹ IS A BARGAIN, AHMED SAID. A
PUBLIC ISSUE WOULD ATTRACT A MUCH HIGHTER PRICE. NEW
CAPITAL WOULD BE USED TO EXPAND IOM'S PLANT.

3. AHMED SAID GOVERNMENT CANNOT SELL ANY OF ITS SHARES

IN IOM SINCE BANGLADESH LAW FORBIDS SALE OF "ABANDONED" PROPERTY SEIZED FROM FORMER PAKISTANI OWNERS TO FOREIGNERS OF ANY NATIONALITY. MOREOVER, EVEN IF SALE WERE POSSIBLE, IT WOULD HAVE TO BE CONDUCTED THROUGH A PUBLIC TENDER WHICH COULD NOT GUARANTEE SALE TO IMTT. IN ANY CASE, GOVERNMENT WISHES TO RETAIN 50 PERCENT OWNERSHIP IN IOM.

4. AHMED EXPLAINED GOVERNMENT'S CLAIM TO 100 PERCENT CURRENT OWNERSHIP IN IOM AS FOLLOWS: ALTHOUGH IMTT ORIGINALLY OWONED 50 PERCENT IOM, ITS OWNERSHIP WAS TRANSFERRED TO PAKISTANI OWNERS AND THEREBY VESTED IN THE GOVERNMENT OF BANGLADESH AFTER INDEPENDENCE AS ABANDONED PROPERTY. GOVERNMENT RECOGNIZES THAT TRANSFER OF IMTT'S SHARES TO PAKISTANI COMPANY WAS ACCOMPLISHED BY FRAUD. BUT IMTT "RATIFIED" OR ACQUIESCED IN TRANSFER FOR A PERIOD OF FIVE YEARS (BASICALLY BY APPROVING ACCOUNTS) AND IS THEREFORE FORECLOSED FROM REASSERTING OWNERSHIP. THUS THE GOVERNMENT NO LONGER RECOGNIZES IMTT'S CLAIM. IMTT MAY CHALLENGE THIS IN COURT BUT THE GOVERNMENT WILL DEFEND ITS RIGHT TO 100 PERCENT OWNERSHIP. IN THE ALTERNATIVE, SINCE IMTT HAS A "MORAL" CLAIM, AND BECAUSE OF GOVERNMENT'S INTEREST IN MAINTAINING GOOD RELATIONS WITH IMTT AND OTHER AMERICAN COMPANIES, IT IS WILLING TO ACCEPT IMTT AS A 50 PERCENT PARTNER IN IOM IN RETURN FOR NEW INVESTMENT OF TAKA 1.2 MILLION.

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5. AHMED DID NOT MENTION THE SCHEME TO MERGE ITT AND IOM WHICH HE REPORTEDLY PROPOSED TO N.M. CHAUDHURY DECEMBER 19. NOR DID HE MENTION YOUR CABLED PROPOSAL DATED DECEMBER 28 TO SHARAFAT ALI, SECTION OFFICER, MINISTRY OF INDUSTRIES, FOR PURCHASE OF 100 PERCENT OF IOM AND 50 PERCENT OF ITT FROM GOVERNMENT. (EMBASSY RECEIVED COPY OF THIS VIA STATE DEPARTMENT POUCH ON JANUARY 17 AFTER OUR MEETING WITH AHMED TOGETHER WITH COPY OF CABLE TO EMBASSY REQUESTING OUR INTERVENTION. YOUR CABLE TO US WAS NOT TRANSMITTED TELEGRAPHICALLY BY THE STATE DEPARTMENT.) IN ANY CASE AS EXPLAINED ABOVE, AHMED INDICATED GOVERNMENT DOES NOT INTEND TO SELL IOM OR ITT SHARES TO A THIRD PARTY. ON THE OTHER HAND, HE MADE IT CLEAR THAT GOVERNMENT IS NOT WILLING TO SELL ITS ENTIRE OWNERSHIP TO IMTT AS YOU PROPOSED IN DECEMBER 28 MESSAGE.
BERGESEN

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